

Lifevantage Corp
Form 10-Q
May 06, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2015

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____
Commission file number 001-35647

LIFEVANTAGE CORPORATION
(Exact name of Registrant as specified in its charter)

COLORADO 90-0224471
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)
9785 S. Monroe Street, Ste 300, Sandy, UT 84070
(Address of principal executive offices)
(801) 432-9000
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the issuer's common stock, par value \$0.001 per share, as of April 30, 2015 was 97,021,189.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q, in particular "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," and the information incorporated by reference herein contains "forward-looking statements" (as such term is defined in Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended). These statements, which involve risks and uncertainties, reflect our current expectations, intentions, or strategies regarding our possible future results of operations, performance, and achievements. Forward-looking statements include, without limitation: statements regarding future products or product development; statements regarding future selling, general and administrative costs and research and development spending; statements regarding the future performance of our network marketing efforts; statements regarding our expectations regarding ongoing litigation; statements regarding international growth; and statements regarding future financial performance, results of operations, capital expenditures and sufficiency of capital resources to fund our operating requirements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and applicable rules of the Securities and Exchange Commission and common law.

These forward-looking statements may be identified in this report and the information incorporated by reference by words such as "anticipate", "believe", "could", "estimate", "expect", "intend", "plan", "predict", "project", "should" and similar expressions, including references to assumptions and strategies. These statements reflect our current beliefs and are based on information currently available to us. Accordingly, these statements are subject to certain risks, uncertainties, and contingencies, which could cause our actual results, performance, or achievements to differ materially from those expressed in, or implied by, such statements.

The following factors are among those that may cause actual results to differ materially from our forward-looking statements:

- Inability to strengthen our business and properly manage distractions among our distributors in Japan;
- We may be unable to manage our growth and expansion;
- We may not succeed in growing existing markets or opening new international markets;
- We may not succeed in expanding our operations;
- Inability of new products to gain distributor or market acceptance;
- Our inability to execute our product launch process due to increased pressure on our supply chain, information systems and management;
- Disruptions in our information technology systems;
- Inability to comply with financial covenants imposed by our credit facility;
- Inability to protect against cyber security risks and to maintain the integrity of data;
- The impact of our debt service obligations and restrictive debt covenants;
- Claims against us as a result of our independent distributors failing to comply with our policies and procedures;
- International trade or foreign exchange restrictions, increased tariffs, foreign currency exchange;
- Deterioration of global economic conditions;
- Inability to maintain appropriate level of internal control over financial reporting;
- We may be unable to raise additional capital if needed;
- Exposure to environmental liabilities stemming from past operations and property ownership;
- Significant dependence upon a single product;
- Our inability to retain independent distributors or to attract new independent distributors on an ongoing basis;
- High quality material for our products may become difficult to obtain or expensive;
- Improper actions by our independent distributors that violate laws or regulations;
- Our dependence on third parties to manufacture our products;

Disruptions to the transportation channels used to distribute our products;

We may be subject to a product recall;

Government regulations on direct selling activities may prohibit or severely restrict business model;

Unfavorable publicity on our business or products;

Our direct selling program could be found to not be in compliance with current or newly adopted laws or regulations;

Legal proceedings may be expensive and time consuming;

Our business is subject to strict government regulations;

Regulations governing the production or marketing of our products;

We are subject to the risk of investigatory and enforcement action by the federal trade commission;

Government authorities may question our tax positions or transfer pricing policies or change their laws in a manner that could increase our effective tax rate or otherwise harm our business;

Failure to comply with anti-corruption laws;

Loss of, or inability to attract, key personnel;

We could be held responsible for certain taxes or assessments relating to the activity of our independent distributors;

Competition in the dietary supplement market;

Our inability to protect our intellectual property rights;

Third party claims that we infringe on their intellectual property;

Product liability claims against us;

Economic, political, foreign exchange and other risks associated with international operations;

Our inability to regain compliance with the Nasdaq Capital Market continued listing standards;

Volatility of the market price of our common stock;

Substantial sales of shares may negatively impact the market price of our common stock;

Significant dilution of outstanding voting shares if holders of our existing warrants and options exercise their securities for shares of common stock;

We have not paid dividends on our capital stock, and we do not currently anticipate paying dividends in the foreseeable future; and

Other factors not specifically described above, including the other risks, uncertainties, and contingencies described under "Business", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Items 1, 1A and 7 of our Annual Report on Form 10-K for the year ended June 30, 2014 and under "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q.

When considering these forward-looking statements, you should keep in mind the cautionary statements in this report and the documents incorporated by reference. We have no obligation and, except as required by law, do not undertake to update or revise any such forward-looking statements to reflect events or circumstances after the date of this report.

LIFEVANTAGE CORPORATION
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PART I Financial Information

Item 1. Financial Statements

LIFEVANTAGE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	As of, March 31, 2015	June 30, 2014	
(In thousands, except per share data)			
ASSETS			
Current assets			
Cash and cash equivalents	\$ 15,353	\$ 20,387	
Accounts receivable	1,258	1,317	
Income tax receivable	3,490	4,681	
Inventory	10,899	8,826	
Current deferred income tax asset	158	158	
Prepaid expenses and deposits	3,699	4,604	
Total current assets	34,857	39,973	
Property and equipment, net	6,239	6,941	
Intangible assets, net	1,913	2,014	
Deferred debt offering costs, net	1,164	1,353	
Long-term deferred income tax asset	1,285	1,285	
Other long-term assets	1,468	2,433	
TOTAL ASSETS	\$46,926	\$53,999	
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable	\$ 2,723	\$ 2,854	
Commissions payable	6,719	7,594	
Other accrued expenses	6,154	7,554	
Current portion of long-term debt	9,200	4,700	
Total current liabilities	24,796	22,702	
Long-term debt			
Principal amount	18,100	26,125	
Less: unamortized discount	(905)	(1,052))
Long-term debt, net of unamortized discount	17,195	25,073	
Other long-term liabilities	2,105	2,234	
Total liabilities	44,096	50,009	
Commitments and contingencies - Note 6			
Stockholders' equity			
Preferred stock — par value \$0.001 per share, 50,000 shares authorized, no shares issued or outstanding	—	—	
Common stock — par value \$0.001 per share, 250,000 shares authorized and 96,985 and 102,173 issued and outstanding as of March 31, 2015 and June 30, 2014, respectively		102	
Additional paid-in capital	117,248	115,244	
Accumulated deficit	(114,321)	(111,240))
Accumulated other comprehensive loss	(194)	(116))
Total stockholders' equity	2,830	3,990	

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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$46,926	\$53,999
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The accompanying notes are an integral part of these condensed consolidated statements.

LIFEVANTAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	For the Three Months		For the Nine Months	
	Ended March 31, 2015	2014	Ended March 31, 2015	2014
(In thousands, except per share data)				
Revenue, net	\$45,155	\$55,064	&	